



UNITED STATES DEPARTMENT OF  
**AGRICULTURE**



## Rural Development

*Serving Rural America*

# Single Family Housing



- Section 502 Direct Loan program
- Section 502 Guaranteed Loan program
- Section 504 Housing Repair Loan and Grant programs
- Mutual Self-Help Housing program
- Rural Housing Site Loans

# Single Family Housing Programs

Section 502 Rural Housing Direct  
Loans

# Section 502 Direct Loans



## Purpose

- to provide home-ownership opportunities to rural families with very low and low incomes
- loans may be used to buy, build, improve, or repair rural homes

- **Average Income in VA--**  
~\$25,000 2003

# Section 502 Rural Housing Direct Loans

## Eligibility:

- Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. Payments are typically within 22 to 26 percent of an applicant's income.

# Section 502 Rural Housing Direct Loans

## Eligibility:

- Very low income is defined as below 50 percent of the area median income (AMI)
- Low income is between 50 and 80 percent of AMI.

# Section 502 Rural Housing Direct Loans

## Eligibility:

- Applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories. Must show willingness to honor financial obligations.

# Section 502 Rural Housing Direct Loans

## Eligibility:

- There is no required down payment.
- Repayment feasibility is based on repayment ratios.



# Section 502 Rural Housing Direct Loans

## Terms:

- Loans are for up to 33 years (38 for those with incomes below 60 percent of AMI and who cannot afford 33-year terms).
- The term is 30 years for manufactured homes.

# Section 502 Rural Housing Direct Loans

Terms:

- Interest rate is set by RHS, currently the interest rate is 6.375%
- Interest rate is modified by payment assistance subsidy.

# Section 502 Rural Housing Direct Loans

## Payment Assistance

- The amount of payment assistance subsidy is determined by adjusted family income as percentage of AMI so that a family pays from 22 to 26 percent of their income for principal, interest, taxes, and insurance (PITI) up to the promissory note rate.

# Section 502 Rural Housing Direct Loans

## Standards:

- Housing must be modest in size, design, and cost.
- Houses must meet the voluntary national model building code adopted by the state and RHS thermal and site standards.

# Section 502 Rural Housing Direct Loans

## Standards:

- Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and RHS thermal and site standards.

# Section 502 Rural Housing Direct Loans

Regulation/Handbook:

- 7 CFR Part 3550 and HB1-3550



## **Section 502 Direct Loan Customer**

# Single Family Housing Programs

## Section 502 Loan Guarantees





Sec. 502 Guaranteed  
Loan customer

# Section 502 Rural Housing Loan Guarantees

Purpose:

- Section 502 loans guarantees are primarily used to help moderate income households purchase homes in rural areas. Funds can be used to build or purchase a home.

# Section 502 Rural Housing Loan Guarantees

## Eligibility:

- Income of up to 115% of median income for the area/State.
- The lender determines repayment feasibility, using repayment ratios.

# Section 502 Rural Housing Loan Guarantees

## Eligibility:

- Applicants must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories.

# Section 502 Rural Housing Loan Guarantees

Approved lenders:

- Any State housing agency;
- Lenders approved by HUD, VA, Fannie Mae, or Freddie Mac. Direct Farm Credit System lenders also qualify.
- Any lender participating in certain other USDA guaranteed loan programs.

# Section 502 Rural Housing Loan Guarantees

Terms:

- Loans are for 30 years.
- Interest rate is set by the lender.
- No required down payment.





Home Financed Through Section 502  
Guaranteed Home Loan

# Section 502 Rural Housing Loan Guarantees

## Standards:

- Housing must be modest in size, design, and cost.
- Houses must meet the voluntary national model building code adopted by the state and RHS thermal and site standards.



# Section 502 Rural Housing Loan Guarantees

## Standards:

- Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and RHS thermal and site standards.

# Section 502 Rural Housing Loan Guarantees

- Regulation/Handbook:7 CFR Part 1980-D

# Single Family Housing Programs

Mutual Self-Help Housing

# Mutual Self-Help Housing Program



- **How It Works**
  - Section 525 technical assistance grants go to non-profit and municipal organizations to provide necessary technical assistance to families in construction, budgeting, and homeownership basics
  - typically, participating families finance their homes through a Section 502 direct loan

# Mutual Self-Help Housing

## Technical Assistance Grants

- Grant funds may be used to pay salaries, rent, and office expenses of the TA provider.





Self-Help Housing  
Neighborhood

# Mutual Self-Help Housing Program



- **Purpose**--to make home ownership affordable to rural families by allowing them to build their own homes and earn “sweat equity”



# Mutual Self-Help Housing

Regulation/Handbook:

7 CFR Part 3550 and  
HB2-3550.





# Single Family Housing Programs

Section 504 Rural Housing Repair  
and Rehabilitation Loans and Grants

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Purpose:

- The Very Low-Income Housing Repair program provides loans and grants to very low-income homeowners to repair, improve, or modernize their dwellings or to remove health and safety hazards.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Eligibility:

- Homeowner-occupants must be unable to obtain affordable credit elsewhere and must have very low incomes, (below 50 percent of the area median income).
- Repairs and improvements must make the dwelling more safe and sanitary or remove health and safety hazards.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Eligibility:

- Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Terms:

- Loans of up to \$20,000 and grants of up to \$7,500 are available.
- Loans are for up to 20 years at 1 percent interest.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Terms:

- Grants must be repaid if the property is sold in less than three years.
- Repairs financed with grant funds must result in the removal of all major health and safety hazards.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Terms:

- A grant/loan combination is made if the applicant can repay part of the cost.
- Loans and grants can be combined for up to \$27,500 in Section 504 assistance.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Standards:

- Repaired properties need not meet RHS code requirements, but water and waste systems and related fixtures must meet local health department requirements.
- Water supply and sewage disposal systems should meet RHS requirements.



# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

## Standards:

- Major health and safety hazards must be corrected.
- All work performed must meet local codes and standards.

# Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Regulation/Handbook:7 CFR Part 3550 and  
HB1-3550

# Single Family Housing Programs

Rural Housing Site Loans

# Rural Housing Site Loans

- This program provides funding for a public or private non-profit organization to buy and develop building sites, including the construction of access roads, streets, and utilities.

# Rural Housing Site Loans

- Sites developed under this program may be sold to individual households, non-profit organizations, public agencies, and cooperatives providing financial assistance for housing to low- and moderate-income families.

# Rural Housing Site Loans

## Purpose:

- Section 523 loans are made to acquire and develop sites only for housing to be constructed by the self-help method.
- Section 524 loans are made to acquire and develop sites for low- or moderate-income families (other than self-help).

# Rural Housing Site Loans

## Eligibility:

- Section 523 loans are limited to private or public nonprofit organizations that will provide sites solely for self-help housing.
- Section 524 loans are made to private or public nonprofit organizations.



# Rural Housing Site Loans

## Terms:

- Loans are for two years.
- Section 523 loans - 3 percent interest.
- Section 524 loans - Market rate of interest.

# Rural Housing Site Loans

Regulation/Handbook: FmHA Instruction  
444.8 (CFR Part 1822 Subpart G). FmHA  
Instruction 1924-C.

# Single Family Housing Programs

Leveraging

# LEVERAGING

- This initiative uses funds from other sources such as commercial banks, State Housing Finance Agencies (VHDA and/or DHCD) together with Rural Housing Service 502 subsidized loan funds to create an affordable loan product.

# LEVERAGING con't

## Benefits:

- Applicants receive priority in processing
- State Office sets aside funds specifically for leveraging
- More customers are assisted
- Borrowers establish a relationship with an outside private lender

# LEVERAGING

- Generally requires 20% to 50% leverage
- Special consideration given to Rural Home Loan Partnerships (RHLPs) and Community Development Financial Institutions (CDFIs) that state receives additional funding for
- These not-for-profit partners use their access to grant funds to offer low interest or foregivable loans to keep overall costs to clients affordable



For more information about these or other Rural Housing Service programs, contact the Rural Development State Office in Richmond at 804.287.1598 or visit our website at:

[www.rurdev.usda.gov/va](http://www.rurdev.usda.gov/va)

The Rural Housing Service is an Equal Opportunity Lender and its programs are operated on an equal opportunity basis. Complaints of discrimination may be filed with the Secretary of Agriculture, Washington, D.C. 20250

